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Judge OKs \$20 million privacy deal for Facebook's "sponsored stories"

Facebook will pay—at most—\$10 to each affected user, but likely much less.

by Joe Mullin - Dec 4 2012, 4:00pm PST

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There's been a slew of litigation in the online privacy space in the past few years—despite the fact there aren't many online privacy laws to sue over. But the lawsuits have come nonetheless, tackling privacy issues ranging from data breaches to "supercookies."

One of the most prominent cases was the Facebook lawsuit over "Sponsored Stories," in which users' pictures were used to endorse products they had "liked" without their permission and often without their knowledge. There was no opt-out, to boot.

A lawsuit was filed in California claiming Facebook's action violated the state's right-of-publicity law as well as an unfair competition law (which kind of gets thrown into many privacy suits). Perhaps realizing they were going to be on the wrong side of public opinion the case resolved, Facebook settled the lawsuit relatively quickly for slightly more than \$20 million. (Sure, that's not a lot for Facebook, but that's actually on the high side of privacy lawsuit payouts.)

The San Francisco federal judge overseeing the case threw out that first settlement, which would have paid \$10 million to the attorneys on the case and \$10 million to a so-called *cy pres* fund for privacy-oriented non-profits, as Kashmir Hill at Forbes noted. But a new deal [PDF] has now passed muster.

"The Settlement Agreement appears to be the product of serious, informed, non-collusive negotiations and falls within the range of possible approval as fair, reasonable, and adequate," wrote Judge Richard Seeborg in his order [PDF] yesterday. The new settlement includes a \$20 million fund for paying off the giant class of plaintiffs, which represents more than 100 million users. However, an unspecified amount of that will go to attorneys' fees. The plaintiffs' lawyers have to make a motion for their fees. While they probably won't get the \$10 million they were banking on earlier, you can bet it will be a big award.

Only Facebook users who actually appeared in a Sponsored Story will be able to submit claims for the fund. The max payout is \$10 per user, but that's going to drop if more than 2 million people fill out a claim form (which is highly likely). In the end, Facebook users may end up getting even less than the tiny \$3.93 settlements recently made to some users of Classmates.com.

The next step in the settlement will be a "fairness hearing," where objectors can complain about issues they have with the settlement. It is currently scheduled for June 2013.

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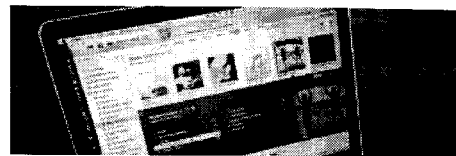
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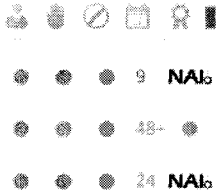
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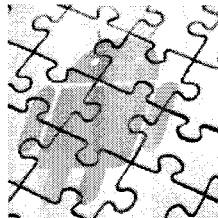
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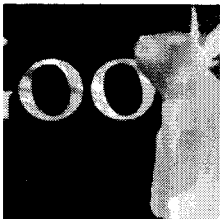
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